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27 OCT 1973

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MEMORANDUM FOR: Director of Naval Intelligence
Office of the Chief of Naval Operations
Department of the Navy
Washington, D.C. 20350

SUBJECT : Proposed Estimate of Impact of Trade
on Soviet Military Capabilities

REFERENCE : Memorandum from Director of Naval Intel-
ligence to Director of Central Intelli-
gence, "Impact of Increased Trade on
Soviet Military Capabilities" dated
28 September 1973

1. Your memorandum suggests that the intelligence community should address the question, "What impact will greatly expanded trade have on Soviet military capabilities over the long term?" We agree that the question is important but think that it would be premature to undertake an estimate at this time.

2. In particular, we share your view that East-West trade should be monitored closely because of its possible implications for Soviet military capabilities. Our analysis, however, leads us to believe that the growing trade between the USSR and the West is not a danger in and of itself. Instead, as the attached memorandum concludes, the problem posed by this trade centers on the question that the intelligence community has considered so often in the past -- the potential effect of the export of certain categories of machinery and technology on Soviet weapons development.

3. These qualitative aspects of your question are being studied in several parts of the intelligence community. When the results of these studies become available, we will be in a better position to decide whether

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a community estimate of the impact of trade on Soviet military capabilities is likely to be successful. In the meantime, we should make sure that the progress of studies dealing with the transfer of military-related technology is reported quickly to the various intelligence components concerned with the problem.

/s/ Bill

W. E. Colby
Director

Attachment
As stated

Concur:

[Redacted Signature Box]

Deputy Director for Intelligence

11 OCT 1973

Date

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